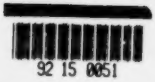
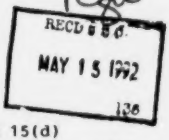
0283646
Q-34939



10-Q



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

FORM 10-Q. - QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

MG2-2231

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period ended March 31, 1992.

[ ] Transaction Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transaction period from _____ to _____.

Commission File Number: 33-28666

Merchant Bank Corporation
(Exact name of registrant as specified in its charter)

Georgia	58-1849356
(State or other jurisdiction incorporation or organization)	(I.R.S. Employer Identification No.)

Two Midtown Plaza, 1360 Peachtree Street, Atlanta, Georgia 30309
(Address of principal executive offices)

(404) 874-4000
(Registrant's telephone number, including area code)

L30

(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed ny Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. X Yes ___No

As of May 1, 1992, the registrant has 2,081,945 shares of its $1.00 par value common stock issued and outstanding.

PROCESSED BY
10-K = I
15 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

MERCHANT BANK CORPORATION
CONSOLIDATED BALANCE SHEETS
MARCH 31, 1992 AND DECEMBER 31, 1991

ASSETS

	March 31, 1992	December 31, 1991
Cash and due from banks	$ 3,346,395	$ 2,852,619
Interest bearing deposits	3,815,352	3,814,025
Investment securities (approximate market value of $78,265,000 and $62,842,000, respectively)	77,699,548	60,771,477
Federal funds sold and securities purchased under resale agreements	1,860,000	5,890,000
Loans, less allowance for loan losses of $799,008 and $742,748, respectively	67,820,578	67,686,831
Bank premises and equipment, net	3,780,575	3,819,653
Other assets	2,448,473	2,180,446
Total assets	$ 160,770,921	$ 147,015,051

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Non-interest bearing demand	$ 7,004,157	$ 6,298,344
Interest bearing:		
Money market accounts	25,845,959	26,439,340
NOW and savings accounts	53,584,678	26,947,823
Certificates of deposit over $100,000	6,692,951	8,336,351
Other certificates of deposit	55,773,273	67,617,257
	148,901,018	135,639,115
Accrued expenses and other liabilities	1,484,251	1,050,225
Total liabilities	150,385,269	136,689,340
Shareholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized; no shares issued		
Common stock, $1 par value; 5,000,000 shares authorized; 2,081,945 shares issued and outstanding	2,081,945	2,081,945
Capital surplus	7,761,530	7,761,530
Retained earnings	542,177	482,236
Total shareholders' equity	10,385,652	10,325,711
Total liabilies and shareholders' equity	$ 160,770,921	$ 147,015,051

MERCHANT BANK CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	1992	1991
Interest and fee income:		
Loans	$ 1,709,353	$ 1,734,120
Investment securities	1,239,279	1,301,045
Federal funds sold	46,846	120,944
Interest bearing deposits	77,311	250,159
Total interest and fee income	3,072,789	3,406,268
Interest expense:		
Interest on deposits:		
Money market accounts	260,822	391,530
NOW and savings accounts	507,835	251,197
Certificates of deposit	1,101,530	1,658,950
Total interest expense	1,870,187	2,301,677
Net interest income	1,202,602	1,104,591
Provision for loan losses	39,400	110,000
Net interest income after provision for loan losses	1,163,202	994,591
Other income:		
Service charges	180,792	177,969
Loan sale premiums	--	2,804
Other	24,890	4,448
	205,682	185,221
Other expenses:		
Salaries and employee benefits	648,174	644,995
Occupancy	268,744	290,858
Professional services	98,776	56,825
Business development	23,931	37,314
Other	229,138	199,367
	1,268,763	1,229,359
Income (loss) before provision for income taxes	100,121	(49,547)
Income tax expense (credit)	40,180	(1,458)
Net income (loss)	$ 59,941	$ (48,089)
Per share data:		
Net income (loss)	$ .03	$ (.02)
Weighted average common shares and equivalents outstanding	2,081,945	2,081,945

MERCHANT BANK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	1992	1991
Cash from operating activities:		
Net income (loss)	$ 59,941	$ (48,089)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loan losses	39,400	110,000
Provision for depreciation and amortization	107,724	77,505
Accretion of loan and investment security discounts	(145,990)	(172,701)
Amortization of investment security premiums	46,892	5,109
Loan sale premiums	--	(2,800)
Change in assets and liabilities:		
Increase in other assets	(291,879)	(285,209)
Increase in other liabilities	434,028	542,635
Net cash provided by operating activities	250,116	226,450
Cash from investing activities:		
Proceeds from maturities of investment securities	2,882,856	1,272,983
Purchases of investment securities	(19,706,549)	(20,102,187)
Net decrease in interest bearing deposits	1,162	2,007,305
Net increase in loans	(29,094)	(2,059,657)
Purchases of bank premises and equipment	(44,793)	(1,810,687)
Net cash used by investing activities	(16,896,418)	(20,692,243)
Cash from financing activities:		
Net decrease in certificates of deposit	(13,487,384)	(1,134,100)
Net decrease in other deposit accounts	26,749,285	(5,318,153)
Net cash provided (used) by financing activities	13,261,901	(6,452,253)
Decrease in cash and cash equivalents	(3,384,401)	(26,918,046)
Cash and cash equivalents at beginning of period	9,403,904	33,926,041
Cash and cash equivalents at end of period	$ 6,019,503	$ 7,007,995

The unaudited interim financial statements at March 31, 1992 and 1991 and for the three month periods then ended have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for the interim financial reporting. Certain information and notes disclosure normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to these rules and regulations. These financial statements should be read in conjunction with the annual financial statements at December 31, 1991, 1990 and 1989.

In the opinion of management, all adjustments (consisting of only normal recurring accruals) necessary to fairly present the financial position at March 31, 1992 and 1991 and results of operations for the three month period then ended have been included.

MERCHANT BANK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
THREE MONTHS ENDED MARCH 31, 1992 AND 1991

OPERATING RESULTS

Net income for the three months ended March 31, 1992, was $59,941, or $.03 per share. For the three months ended March 31, 1991 the net loss was $48,089, or $.02 per share.

Total assets increased 9.4% from $147.8 million at December 31, 1991 to $160.8 million at March 31, 1992. Substantially all of this increase is attributable to increases in deposit accounts, especially NOW and Savings accounts. During late 1991 and early 1992 most banks in the Company's market area decreased the interest rates paid on almost all types of accounts due to decreases in the overall level of market interest rates. The Company did not initially match these rate decreases in efforts to obtain non-certificate of deposit accounts. This marketing program has proved to be successful. The Company and its branch locations are heavily cross-selling additional banking services to these customers. While the higher rates paid on theses deposits does not substantially increase the Company's overall profitability, the Company intends to maintain these accounts at or below current interest rates. Should interest rates subsequently rise, the Company's net interest income will increase.

Return on average assets was .04% and (.13%) for the three months ended March 31, 1992 and 1991, respectively. Return on average equity for the periods was .58% and (1.90%), respectively.

NET INTEREST INCOME

Net interest income for the three months ended March 31, 1992 was $1,202,602, an increase of 9% from net interest income of $1,104,591 for the comparable 1991 period. As mentioned above, the Company's NOW and Savings deposits increased substantially during the first quarter of 1992. Although the spread earned on these deposits is less than what might normally be expected, the Company's net interest margin increased from 3.29% for the three months ended March 31, 1991 to 3.45% for the three months ended March 31, 1992. Factors contributing to this overall increase in the net interest margin are a shift in a portion of the Company's deposit base from Certificates of Deposit, which typically carry the Company's highest rate of interest, to NOW and Savings accounts. In addition, the Company acted quickly to invest the net deposit inflow in new loans whenever possible and to its investment security portfolio to obtain the highest returns possible within the constraints of prudent interest rate risk management and the Company's Credit and Investment policies.

LIQUIDITY & ASSET/LIABILITY MANAGEMENT

As discussed in the Company's December 31, 1991 Form 10-K, the Company had a negative cumulative one year interest rate gap of $32.6 million at December 31, 1991. Through the inflow of primarily non-interest sensitive deposits, increases in the investment security portfolio, and originations of primarily floating rate loans during the first quarter of 1992, the Bank has eliminated this negative interest rate gap. At March 31, 1992 the Company had a positive interest rate gap that was less than 10% of total earning assets, well within the Company's Asset/Liability policy guidelines. Now that the Company's interest rate gap has been brought to within policy guidelines it is incumbent upon management to closely monitor it's loan, investment and deposit holdings throughout the remainder of the year to ensure that this interest rate gap remains within policy guidelines.

Subsequent to March 31, 1992 the Company's wholly-owned subsidiary, The Merchant Bank of Atlanta (the "Bank") purchased approximately $2.6 million in mortgage loans that had previously been serviced by the Bank. In addition, customer deposits decreased by approximately $4 million, primarily from annual tax payments. Because of these factors it was necessary for the Bank to sell approximately $7.4 million in investment securities during May 1992. The gross realized gain on these sales was approximately $200,000.

It is the Company's ability and intent to hold it's investment securities to maturity. The decision to sell securities is based on management's assessment of changes in economic or financial market conditions, interest rate risk, and the Company's financial position and liquidity. If these factors can be reasonably predicted and sales of investment portfolio securities appear to be likely, management will reclassify certain investment securities into a "held for sale" portfolio that will be accounted for at the lower of amortized cost or market value. No such reclassification was necessary as of March 31, 1992. The effect of any future reclassification of securities on the Company's current and future earnings, liquidity and capital resources cannot be practically determined at this time.

During May 1992 one of the Bank's correspondent banks was acquired by another financial institution and canceled the Bank's $2 million Fed funds borrowing line. As a result of this action the Bank applied for and received a short term line of credit totaling approximately $10 million from The Federal Home Loan Bank of Atlanta. This short term line of credit is secured by a blanket lien on the Bank's portfolio of qualifying residential mortgage Loans. No amounts were outstanding under any of these lines as of March 31, 1992 and the lines of credit were not utilized during the three months ended March 31, 1992.

The Bank held no tax free investment securities at March 31, 1992. At March 31, 1992, gross unrealized gains on the Company's investment securities totaled approximately $900,000 and gross unrealized losses totaled approximately $340,000.

ASSET QUALITY

The allowance for loan losses as a percent of total loans, and other real estate owned was 1.16% and 1.08% at March 31, 1992 and December 31, 1991, respectively. At March 31, 1992 total non-accrual loans were approximately $793,000. Loans past due 90 days or more but still accruing totaled $103,000 at March 31, 1992. Foreclosed real estate totaled approximately $120,000. These amounts are marginally higher than the comparable December 31, 1991 levels. Management believes that adequate reserves have been established to cover potential losses on these loans.

CAPITAL

Total equity to total assets was 6.46 % at March 31, 1992. The Company's Tier 1 capital (as defined by Bank Regulatory authorities) was 8.82% of risk-adjusted assets at March 31, 1992. Tier 1 and Tier 2 capital was 9.22% of risk-adjusted assets as of the same date. These ratios exceed current regulatory guidelines.

PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

EXHIBIT 11 - STATEMENT RE CORPORATION OF PER SHARE EARNINGS

Net income (loss) per share is based on the weighted average number of shares outstanding during each period, including consideration of common stock equivalents consisting of shares subject to stock options and warrants.

Registrant did not file a report on Form 8-K during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Merchant Bank Corporation
MERCHANT BANK CORPORATION

Date May 15, 1992

Ronald B. Freeman
RONALD B. FREEMAN, EXECUTIVE VICE PRESIDENT

Date May 15, 1992

R. Elliott Miller
R. ELLIOTT MILLER, CHAIRMAN

PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

EXHIBIT 11 - STATEMENT RE CORPORATION OF PER SHARE EARNINGS

Net income (loss) per share is based on the weighted average number of shares outstanding during each period, including consideration of common stock equivalents consisting of shares subject to stock options and warrants.

Registrant did not file a report on Form 8-K during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERCHANT BANK CORPORATION

Date May 15, 1992

RONALD B. FREEMAN, EXECUTIVE VICE PRESIDENT

Date May 15, 1992

R. ELLIOTT MILLER, CHAIRMAN